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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 003841

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E.O. 12958: DECL: 11/25/2017
TAGS: [ECON](#) [EFIN](#) [EAID](#) [PREL](#) [IZ](#)
SUBJECT: IRAQI FINANCE MINISTER UPBEAT ON 2008 BUDGET, DEBT
RELIEF PROSPECTS

Classified By: Economic Minister Charles P. Ries for Reasons 1.4 (b) and (d)

11. (C) Begin Summary: During a 21 November working dinner, Finance Minister Bayan Jabr told EMIN and TreasAtt that he does not anticipate any problems getting the 2008 draft budget passed by the Council of Representatives (CoR). He highlighted four key concessions made by the Kurdistan Regional Government (KRG) during the Cabinet's negotiations: 1) the KRG must permit each winning bidder of the mobile license contracts to operate in the KRG or forfeit its share of the 3.75 billion USD auction proceeds; 2) the KRG must permit the federal Board of Supreme Audit (BSA) access to KRG records to ascertain revenues collected on a monthly basis in 2008; 3) the BSA will determine the amount of revenue the KRG owes for the period 2004-07; and 4) the amount owed will be remitted to the federal treasury. Jabr also signaled he would set aside 50 million USD (though he did not specify how) in February 2008 of the estimated 200-300 million USD required to ensure "Concerned Local Citizens" alums continued employment. End Summary.

Back from the Gulf...on to Syria

12. (C) On the heels of a trip to Kuwait and Saudi Arabia and on the eve of another trip to Damascus, Finance Minister Bayan Jabr hosted EMIN, TreasAtt, and JCC-I General Darryl Scott to a working dinner 21 November. Jabr touted the recently announced 60 million USD grant from the Kuwaitis for economic and social assistance. On his trip to Syria, Jabr noted he would be seeking to clear up remaining commercial debt, which totaled around 120-130 million USD, dating to the Saddam era. The impetus for clearing up the debt now is to pave the way for the opening of a Rafidain branch in Damascus (and perhaps a second in Aleppo). Jabr said he intends to sign an MOU with the SARG to resolve an outstanding customs issue and take into consideration a free trade zone or variant thereof.

13. (C) EMIN said he had recently encouraged the Greek Finance Minister to hasten work on putting together a deal to resolve outstanding Iraqi sovereign debt, which Jabr welcomed. Jabr continued that he was keen on an idea proposed during his recent trip to Washington for the Fund/Bank meetings. Basically, a fixed endowment would be established out of which all remaining debt deals would be paid, thus, creating a strong incentive to settle debt sooner rather than later.

Kurdish budget concessions

14. (C) On the 2008 draft budget, Jabr told us he anticipated the legislation would pass quickly in the CoR. Commenting on

the negotiation process in the Council of Ministers (CoM), Jabr noted he left before the negotiations concluded in order to make his trip to Kuwait and KSA. He claimed Minister of Oil Shahrستاني sought to decrease the KRG share of the budget from 17 to 13 percent but ultimately lost. Jabr was particularly proud of four concessions he was able to wring from the KRG, claiming DPM Barham Salih agreed to each. 1) The KRG must permit access to all winners in the mobile phone license auction or forfeit its share of the 3.75 billion USD of the auction proceeds (which were included as non-oil revenues in the 2008 budget); 2) the KRG must grant access to the federal BSA to assess revenues the KRG collects on a monthly basis; 3) the BSA will audit and thereafter make a determination on the revenue the KRG owes the federal government for the period 2004-07; and 4) the amount of revenue owed will be repaid to the federal treasury.

15. (C) EMIN raised the need for the GOI to allocate funds aimed at easing the transition of "Concerned Local Citizens alums, the need for which is estimated to be 300 million USD. Jabr stated that such an amendment would ultimately require a supplemental (which was not used in 2007). The earliest the GOI could request a supplemental budget would be in July. However, Jabr promised he would provide 50 million USD in February without specifying how this request would be funded.

IAMB: No longer necessary

16. (C) Finally, on the renewal of the UNSCR, EMIN said we supported a one-year renewal with no changes to the language, which would extend immunity for the approximately 22 billion USD in the Central Bank and the additional 8 billion USD in

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the DFI account at the Federal Reserve Bank of New York. EMIN noted however that this UNSCR rollover would be the last one, which means the GOI must settle as many of the outstanding debt and payment issues as possible prior to the end of 2008 to eliminate attachment risk following the end of immunity. Senior Advisor Azez Jaffar Hassan expressed the MoF's strong interest in eliminating the clause extending the mandate for the International Advisory and Monitoring Board for Iraq (IAMB) an additional year. Azez claimed that the GOI had been prepared to take over the IAMB's oversight role for the DFI as early as 2006. Azez said even the IAMB itself recommended that the Iraqi BSA was ready to take on this job. EMIN said our view is that there should be no changes to the UNSCR at all.
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